

FEDERAL DEPOSIT INSURANCE CORPORATION

Selected June Financial Indicators

- BIF reserve ratio is 1.40 percent
- SAIF reserve ratio is 1.29 percent after \$978 million was transferred to the Special Reserve



Executive Management Report

Financial Results (unaudited)
For the six months ending June 30, 1999

Executive Summary

For the Six Months Ending June 30, 1999

Insurance Funds:

- In order to assess exposure to the Insurance Funds from Year 2000 potential failures, FDIC evaluated all information relevant to such an assessment, including Y2K on-site examination results, institution capital levels and supervisory examination composite ratings, and other institution past and current financial characteristics. As a result of this assessment, no institutions were identified that would likely fail and cause loss to the Insurance Funds. During the remainder of 1999, the regulatory agencies will continue their Year 2000 reviews, and the FDIC will continue to assess this potential liability.
- The liability for anticipated failures of insured institutions for BIF and SAIF increased by \$187 million and \$11 million to \$219 million and \$42 million, respectively, during the first six months of 1999. Although the population of problem institutions has remained constant over this time period, the financial condition of a few institutions has deteriorated significantly. A contributing factor to this situation is the problems experienced by institutions lending to borrowers with high credit risk.
- Two BIF-insured institutions failed during the first six months of 1999. Total assets at failure were \$25 million. Three BIF-insured institutions failed during calendar year 1998, with assets at failure of \$370 million.
- No SAIF-insured institutions failed during the first six months of 1999 or during calendar year 1998.

Bank Insurance Fund (BIF):

- Comprehensive income (net income plus current period unrealized gains/losses on available-for-sale securities) was \$219 million for the six months ending June 30, 1999, raising the fund balance to \$29.8 billion.
- Revenue totaled \$902 million for the six months ending June 30, 1999. The fund earned \$857 million in interest on investments in U.S. Treasury obligations and \$16 million in deposit insurance assessments.

- Receivables from bank resolutions are \$477 million at June 30, 1999. This receivable peaked at \$27.8 billion in 1992 due to the large number of bank failures occurring at that time.
- Assets in liquidation totaled \$836 million as of June 30, 1999, down by \$467 million over the last 12 months.

Savings Association Insurance Fund (SAIF):

- Comprehensive income was \$226 million for the six months ending June 30, 1999, increasing the unrestricted fund balance to \$9.1 billion.
- Revenue totaled \$292 million for the six months ending June 30, 1999. The fund earned \$286 million in interest on U.S. Treasury obligations and \$6 million in deposit insurance assessments.
- The Deposit Insurance Funds Act of 1996 required the establishment of a Special Reserve of the SAIF if, on January 1, 1999, the reserve ratio exceeded the Designated Reserve Ratio (DRR) of 1.25 percent. The reserve ratio of 1.39 percent exceeded the DRR by 0.14 percent on January 1, 1999. As a result, \$978 million was placed in a Special Reserve of the SAIF to be administered by the FDIC. The Special Reserve must be excluded when calculating the reserve ratio of the SAIF.

FSLIC Resolution Fund (FRF):

~FRF-FSLIC~

- The U.S. Department of Treasury (U.S. Treasury) has determined that the FRF is responsible for the payment of judgements and settlements in most supervisory goodwill litigation cases against the U.S. Government. Future goodwill litigation payments cannot be reasonably estimated at this time. There were no settlement payments for the six months ending June 30, 1999.
- In addition to payments for goodwill settlements, the FRF is responsible for reimbursing the Department of Justice for its goodwill litigation

Executive Summary

For the Six Months Ending June 30, 1999

~FRF-FSLIC~ **(Continued)**

expenses. Payments for fiscal year 1999 goodwill litigation expenses total \$51.2 million.

- On April 9, 1999, the United States Court of Federal Claims ruled that the federal government must pay Glendale Federal Bank \$908.9 million for breaching a contract that allowed the thrift to count goodwill toward regulatory capital. Both the plaintiffs and the Department of Justice are expected to appeal the decision. Additionally, on April 16, 1999, in a similar case, another judge of the U.S. Court of Federal Claims, using a different analysis than the one used by the judge in the Glendale Federal Case, awarded California Federal Bank \$23 million. The California Federal Bank was seeking more than \$1.0 billion in damages and is expected to appeal the decision. The analyses of the damage issues in these two cases appear to be irreconcilable. Due to the expected appeals and the conflicting analyses in the two cases, the final outcome is uncertain.

~FRF-RTC~

- The FRF-RTC cash balance of \$3.6 billion is at an all time high. This increase in cash is primarily due to:
 - 1) Cash recoveries from the securitization funds held by trustee totaled \$3.1 billion for 1998 through June 1999. The trustee released these funds because either securitization deals were terminated or certain criteria were met to allow the release; and
 - 2) Cash recoveries from the securitization residual certificates totaled \$388 million for 1998 through June 1999.

FDIC management is considering various options relative to returning FRF-RTC's excess cash to the U.S. Treasury in a prudent manner. The RTC Completion Act requires the FDIC to return to the U.S. Treasury any funds that were transferred to the RTC pursuant to the RTC Completion Act but not needed by the RTC. The RTC Completion Act made available approximately \$18 billion worth of additional

funding, of which \$4.556 billion was used. The FDIC must transfer to the Resolution Funding Corporation (REFCORP) the net proceeds from the sale of FRF-RTC assets (once all liabilities of the FRF-RTC have been paid) to pay the interest on REFCORP bonds. Any such payments benefit the U.S. Treasury, which would otherwise be obligated to pay the interest on the bonds.

- Assets in liquidation totaled \$673 million as of June 30, 1999, down by \$1.0 billion over the last 12 months.
- FRF-RTC receiverships transferred their securitization residual certificates of \$1.8 billion to the Corporation during October 1998. This amount was offset by amounts owed by the receiverships to FRF-RTC. As a result of this transaction, the residual certificates are no longer reflected in the "Receivables from thrift resolutions, net" financial statement line. The assets are reported separately in a new financial statement line titled "Investment in securitization residual certificates."

INSURANCE FUNDS

Bank Insurance Fund (BIF)

Savings Association Insurance Fund (SAIF)

The BIF and SAIF are separate insurance funds responsible for protecting insured depositors in operating banks and thrift institutions from loss due to failure of the institution. Since 1989, an active institution's insurance fund membership and primary federal regulator have been generally determined by the institution's charter type. Deposits of BIF-member institutions are primarily insured by the BIF; BIF members are predominantly commercial and savings banks regulated by the FDIC, the Office of the Comptroller of the Currency, or the Federal Reserve. Deposits of SAIF-member institutions are primarily insured by the SAIF; SAIF members are predominantly thrifts supervised by the Office of Thrift Supervision.

FINANCIAL HIGHLIGHTS

<i>Dollars in Millions</i>	BIF		SAIF	
	(Unaudited)		(Unaudited)	
	6/30/99	6/30/98	6/30/99	6/30/98
Revenue	\$ 902	\$ 858	\$ 292	\$ 282
Operating Expenses	356	332	47	40
Insurance Losses/Expenses	318	(111)	15	0
Unrealized (Loss)/Gain on AFS (1)				
Securities, Net (Current Period)	(9)	1	(4)	0
Comprehensive Income	219	638	226	242
Restricted Fund Balance	0	0	978	0
Unrestricted Fund Balance	\$ 29,831	\$ 28,931	\$ 9,088	\$ 9,610
Reserve Ratio (2)	1.40%	1.40%	1.29%	1.38%
Estimated Insured Deposits	\$ 2,124,236 (a)	\$ 2,071,753 (b)	\$ 706,476 (a)	\$ 697,386 (b)
Total Insured Institutions	9,001 (a)	9,265 (b)	1,414 (a)	1,474 (b)
Number of Failures, YTD	2	1	0	0
Total Corporate Outlays, YTD	\$24	\$38	\$0	\$0
Total Estimated Corporate Losses, YTD	\$2	\$3	\$0	\$0
Total Assets at Failure (Current Year)	\$25	\$38	\$0	\$0
Assets in Liquidation (3)	\$836	\$1,303	\$0 (c)	\$3

(1) Available-for-Sale (AFS)

(2) The Reserve Ratio is equal to the Unrestricted Fund Balance divided by Estimated Insured Deposits. The statutorily established Designated Reserve Ratio is 1.25%.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

(a) Source: First Quarter 1999 FDIC Quarterly Banking Profile. BIF figure includes 25 U.S. branches of foreign banks.

(b) Source: Second Quarter 1998 FDIC Quarterly Banking Profile. BIF figure includes 27 U.S. branches of foreign banks.

(c) Actual amount is \$319,526.

Bank Insurance Fund Statements of Financial Position June 1999

Dollars in Millions(Unaudited)
June 30**Assets**

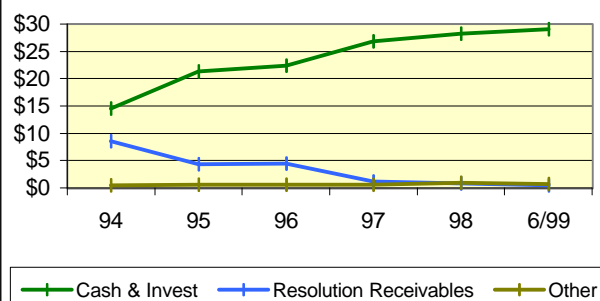
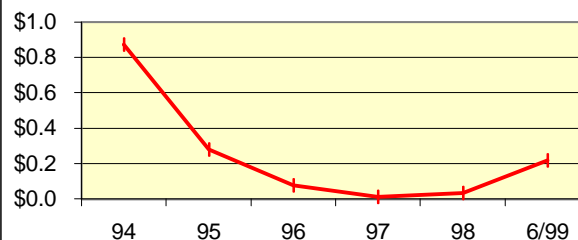
	<u>1999</u>	<u>1998</u>
Cash and cash equivalents	\$ 2,324	\$ 195
Investment in U.S. Treasury obligations, net	26,713	27,484
Interest receivable on investments and other assets, net	459	476
Receivables from bank resolutions, net	477	841
Assets acquired from assisted banks and terminated receiverships, net	14	53
Property and buildings, net	142	144
Software development and other capitalized assets, net	79	24
Total Assets	\$ 30,208	\$ 29,217

Liabilities

Accounts payable and other liabilities	\$ 131	\$ 187
Estimated Liabilities for:		
Anticipated failure of insured institutions	219	47
Assistance agreements	1	25
Litigation losses	20	8
Asset securitization guarantees	6	19
Total Liabilities	377	286

Fund Balance

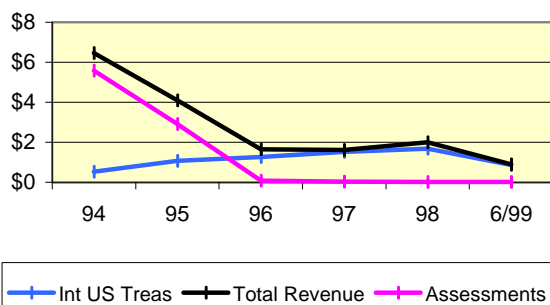
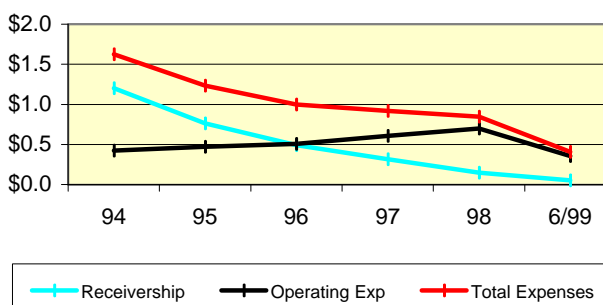
Accumulated net income	29,829	28,930
Unrealized gain on available-for-sale securities, net	2	1
Total Fund Balance	29,831	28,931
Total Liabilities and Fund Balance	\$ 30,208	\$ 29,217

*Chart Data: Dollars in Billions***BIF Asset Composition****BIF Estimated Liability for Anticipated Failure of Insured Institutions**

Bank Insurance Fund Statements of Income and Fund Balance June 1999

Dollars in Millions

	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending June 30	
	1999	1998	1999	1998
Revenue				
Interest on U.S. Treasury obligations	\$ 857	\$ 827	\$ 437	\$ 419
Interest on advances and subrogated claims	18	4	17	2
Revenue from assets acquired from assisted banks and terminated receiverships	4	13	1	6
Assessments	16	8	6	3
Other revenue	7	6	3	3
Total Revenue	902	858	464	433
Expenses and Losses				
Operating expenses	356	332	189	200
Insurance Losses/Expenses:				
Provision for insurance losses	311	(126)	285	(137)
Expenses for assets acquired from assisted banks and terminated receiverships	6	14	5	0
Interest and other insurance expenses	1	1	1	0
Total Expenses and Losses	674	221	480	63
Net Income	228	637	(16)	370
Unrealized (loss)/gain on available-for-sale securities, net (current period)	(9)	1	(5)	2
Comprehensive Income	219	638	(21)	372
Fund Balance - Beginning	29,612	28,293	29,852	28,559
Fund Balance - Ending	\$ 29,831	\$ 28,931	\$ 29,831	\$ 28,931

*Chart Data: Dollars in Billions***BIF Revenue****BIF Operating and Receivership Expenses**

Savings Association Insurance Fund Statements of Financial Position June 1999

Dollars in Millions(Unaudited)
June 30**Assets**

Cash and cash equivalents - unrestricted
 Cash and other assets - restricted for
 SAIF-member exit fees
 Investment in U.S. Treasury obligations, net
 Interest receivable on investments
 and other assets
 Receivables from thrift resolutions, net
Total Assets

<u>1999</u>	<u>1998</u>
\$ 1,033	\$ 149
261	246
8,949	9,344
134	126
1	4
<u>\$ 10,378</u>	<u>\$ 9,869</u>

Liabilities

Accounts payable and other liabilities
 Estimated liability for anticipated failure of
 insured institutions
 SAIF-member exit fees and investment
 proceeds held in escrow
Total Liabilities

\$ 9	\$ 13
42	0
261	246
<u>312</u>	<u>259</u>

Fund Balance**Unrestricted**

Accumulated net income
 Unrealized gain on available-for-sale
 securities, net

9,087	9,610
1	0
<u>9,088</u>	<u>9,610</u>

Restricted

Special Reserve

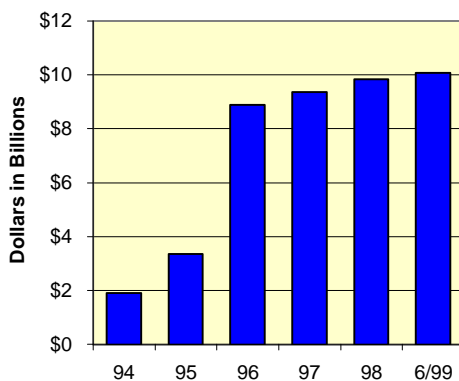
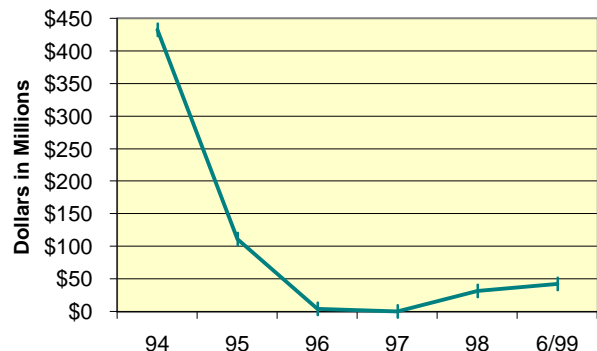
978	0
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Total Fund Balance

10,066	9,610
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Total Liabilities and Fund Balance

<u>\$ 10,378</u>	<u>\$ 9,869</u>
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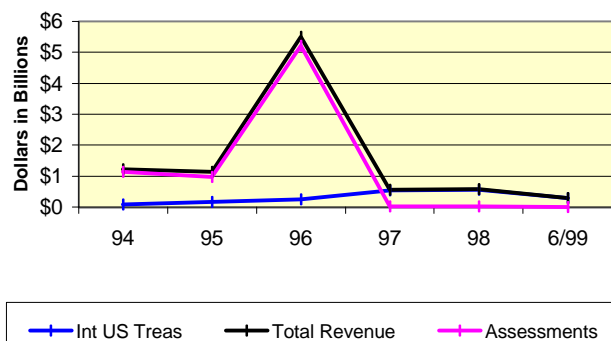
SAIF Total Fund Balance**SAIF Estimated Liability for Anticipated Failure of Insured Institutions**

Savings Association Insurance Fund Statements of Income and Fund Balance June 1999

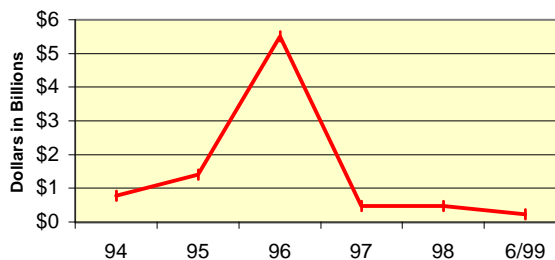
Dollars in Millions

	(Unaudited) Year-to-Date:		(Unaudited) Quarter Ending June 30	
	1999	1998	1999	1998
Revenue				
Interest on U.S. Treasury obligations	\$ 286	\$ 278	\$ 145	\$ 140
Assessments	6	4	6	7
Other revenue	0	0	0	0
Total Revenue	292	282	151	147
Expenses and Losses				
Operating expenses	47	40	26	24
Provision for insurance losses	15	0	(6)	(3)
Total Expenses and Losses	62	40	20	21
Net Income	230	242	131	126
Unrealized loss on available-for-sale securities, net (current period)	(4)	0	(2)	0
Comprehensive Income	226	242	129	126
Fund Balance - Beginning	9,840	9,368	9,937	9,484
Unrestricted Fund Balance - Ending	9,088	9,610	9,088	9,484
Restricted Fund Balance (Special Reserve) - Ending	978	0	978	0
Fund Balance - Ending	\$ 10,066	\$ 9,610	\$ 10,066	\$ 9,610

SAIF Revenue



SAIF Comprehensive Income



RESOLUTION FUND

FSLIC Resolution Fund (FRF)

The FRF is a FDIC-managed resolution fund that was originally created to wind up the affairs of the former Federal Savings and Loan Insurance Corporation (FSLIC). It is also responsible for liquidating the assets and liabilities that were transferred from the former Resolution Trust Corporation (RTC) in 1996. Statutorily, the FRF is reported as one fund; for management reporting and operational purposes, the FRF is split into its FSLIC and RTC components and accounted for separately. The assets of one component are not available to satisfy the obligations of the other.

The FRF will continue to operate until all of its assets are sold or otherwise liquidated and all of its liabilities are satisfied.

FRF-FSLIC

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) abolished the insolvent FSLIC, created the FRF, and transferred the assets and liabilities of the FSLIC to the FRF or RTC, effective August 9, 1989. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury.

FRF-RTC

The RTC was created to manage and resolve all thrifts previously insured by the FSLIC for which a conservator or receiver was appointed on January 1, 1989, or later. Resolution responsibility transferred from the RTC to the SAIF on July 1, 1995, and the RTC was terminated as of December 31, 1995. All remaining assets and liabilities of the RTC were transferred to the FRF on January 1, 1996. Upon dissolution of this component of the FRF, any funds remaining will be transferred to the U.S. Treasury or the Resolution Funding Corporation, as appropriate.

FSLIC Resolution Fund

Statements of Cash Flows and Selected Statistics

June 1999

Dollars in Millions

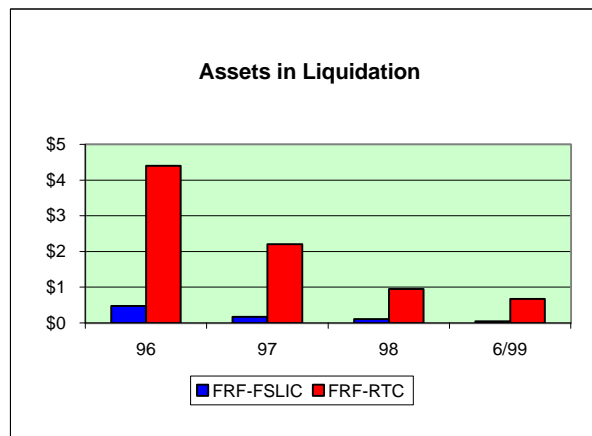
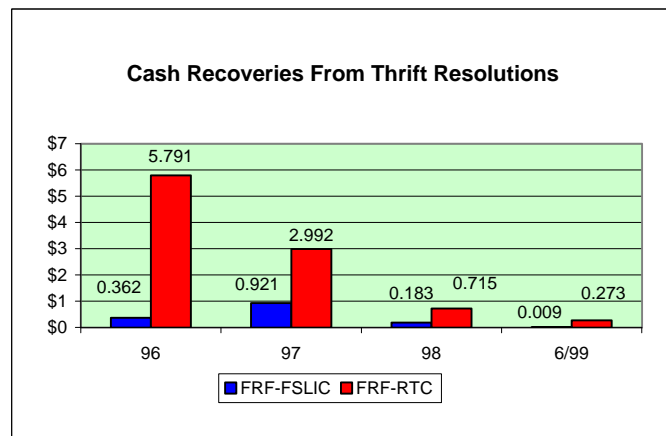
	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF - CONSOLIDATED (Unaudited) Year-to-Date:	
	1999	1998	1999	1998	1999	1998
Cash Flows						
Cash Flows From Operating Activities:						
Cash Provided From Operating Activities	\$95	\$193	\$1,016	\$632	\$1,111	\$825
Cash Used for Operating Activities	(12)	(21)	(101)	(158)	(113)	(179)
Net Cash Provided by Operating Activities	83	172	915	474	998	646
Cash Flows From Investing Activities:						
Redemption of Securitization Residual						
Certificates, AFS (1)	0	0	127	0	127	0
Cash Flows From Financing Activities:						
Repayments of Federal Financing Bank						
Borrowings	0	0	0	(486)	0	(486)
Repayments of Indebtedness From						
Thrift Resolutions	0	(32)	0	0	0	(32)
Net Increase/(Decrease) in Cash	\$83	\$140	\$1,042	(\$12)	\$1,125	\$128
Selected Statistics						
Resolution Equity	\$2,159	\$1,980	\$8,517	\$7,061	\$10,676	\$9,041
Federal Financing Bank Borrowings (2)	\$0	\$0	\$0	\$357	\$0	\$357
Number of Active Receiverships	21	26	323	392	344	418
Number of Other Liquidating Entities	57	57	17	17	74	74
Assets in Liquidation (3)	\$41	\$106	\$673	\$1,700	\$714	\$1,806

(1) Available-for-Sale (AFS)

(2) FFB borrowings peaked at \$64 billion in 1991. The debt was repaid in August 1998.

(3) Assets in liquidation is the total book value of the noncash assets to be liquidated.

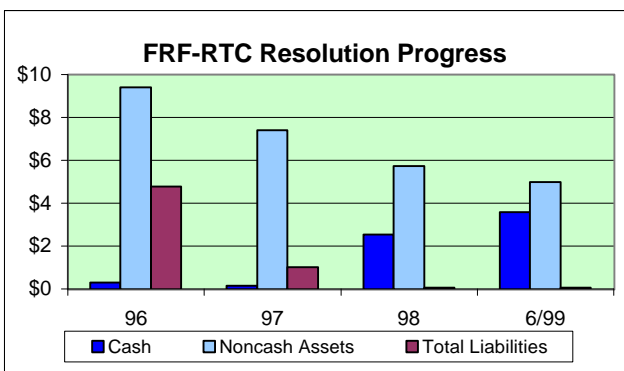
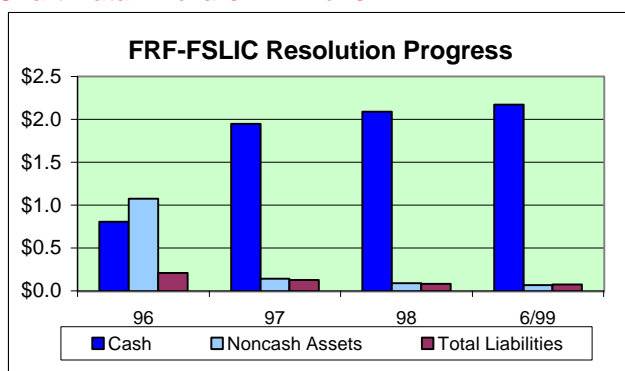
Chart Data: Dollars in Billions



FSLIC Resolution Fund Statements of Financial Position June 1999

Dollars in Millions	FRF - FSLIC (Unaudited) June 30		FRF - RTC (Unaudited) June 30		FRF - CONSOLIDATED (Unaudited) June 30	
	1999	1998	1999	1998	1999	1998
Assets						
Cash and cash equivalents	\$ 2,172	\$ 2,085	\$ 3,584	\$ 150	\$ 5,756	\$ 2,235
Receivables from thrift resolutions, net	41	44	1,315	2,531	1,356	2,575
Securitization funds held by trustee, net	0	0	2,243	4,753	2,243	4,753
Investment in securitization residual certificates	0	0	1,391	0	1,391	0
Assets acquired from assisted thrifts and terminated receiverships, net	18	36	29	30	47	66
Other assets, net	6	6	5	18	11	24
Total Assets	\$ 2,237	\$ 2,171	\$ 8,567	\$ 7,482	\$ 10,804	\$ 9,653
Liabilities and Resolution Equity						
Liabilities						
Accounts payable and other liabilities	\$ 6	\$ 118	\$ 41	\$ 54	\$ 47	\$ 172
Notes payable - Federal Financing Bank borrowings	0	0	0	357	0	357
Liabilities from thrift resolutions	67	67	7	8	74	75
Estimated liabilities for:						
Assistance agreements	5	6	0	0	5	6
Litigation losses	0	0	2	2	2	2
Total Liabilities	78	191	50	421	128	612
Resolution Equity						
Contributed capital	44,156	44,156	91,335	91,338	135,491	135,494
Accumulated deficit	(41,997)	(42,176)	(82,898)	(84,277)	(124,895)	(126,453)
Unrealized gain on available-for-sale securities, net	0	0	80	0	80	0
Accumulated deficit, net	(41,997)	(42,176)	(82,818)	(84,277)	(124,815)	(126,453)
Total Resolution Equity	2,159	1,980	8,517	7,061	10,676	9,041
Total Liabilities and Resolution Equity	\$ 2,237	\$ 2,171	\$ 8,567	\$ 7,482	\$ 10,804	\$ 9,653

Chart Data: Dollars in Billions



FSLIC Resolution Fund

Statements of Income and Accumulated Deficit

June 1999

Dollars in Millions

	FRF - FSLIC (Unaudited) Year-to-Date:		FRF - RTC (Unaudited) Year-to-Date:		FRF- CONSOLIDATED (Unaudited) Year-to-Date:	
	1999	1998	1999	1998	1999	1998
Revenue						
Interest on securitization funds held by trustee	\$ 0	\$ 0	\$ 50	\$ 156	\$ 50	\$ 156
Interest on U.S. Treasury obligations	50	55	0	0	50	55
Interest on advances and subrogated claims	0	0	22	10	22	10
Revenue from assets acquired from assisted thrifts and terminated receiverships	6	18	8	5	14	23
Limited partnership equity interests and other revenue	3	0	11	2	14	2
Total Revenue	59	73	91	173	150	246
Expenses and Losses						
Operating expenses	2	4	34	31	36	35
Provision for losses	(11)	(62)	(233)	(381)	(244)	(443)
Expenses for goodwill settlements and litigation	0	104	0	0	0	104
Interest expense on Federal Financing Bank debt and other notes payable	2	2	0	16	2	18
Expenses for assets acquired from assisted thrifts and terminated receiverships	3	6	2	5	5	11
Other expenses	2	1	1	0	3	1
Total Expenses and Losses	(2)	55	(196)	(329)	(198)	(274)
Net Income	61	18	287	502	348	520
Unrealized gain on available-for-sale securities, net (current period)	0	0	6	0	6	0
Comprehensive Income	61	18	293	502	354	520
Accumulated Deficit - Beginning	(42,058)	(42,194)	(83,111)	(84,779)	(125,169)	(126,973)
Accumulated Deficit - Ending	\$ (41,997)	\$ (42,176)	\$ (82,818)	\$ (84,277)	\$ (124,815)	\$ (126,453)

Chart Data: Dollars in Billions